

**Management Advisory Report: The Internal  
Revenue Service's Implementation of the  
GPRA During Fiscal Year 2000**

**May 2001**

**Reference Number: 2001-10-085**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

May 30, 2001

MEMORANDUM FOR DEPUTY COMMISSIONER

*Pamela J. Gardiner*

FROM: (for) Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report: The Internal Revenue  
Service's Implementation of the GPRA During Fiscal Year 2000

This report consolidates the results of our Fiscal Year (FY) 2000 audits on the Internal Revenue Service's (IRS) implementation of the Government Performance and Results Act (GPRA).<sup>1</sup> In summary we found the IRS did not have a centralized process to ensure that all of the requirements of the GPRA were achieved and maintained. Additionally, the individual operating units did not adequately administer the Customer Satisfaction Survey process, and the process for completing the IRS' Annual Program Performance Report did not provide management adequate time to assess performance. The IRS has taken subsequent actions to better comply with the requirements of the GPRA.

This management advisory report consolidates the issues we presented in eight audit reports issued during FY 2000. Since IRS management had previously submitted written comments on each of the eight reports, we provided them a discussion draft of this report for review and oral comments only. The IRS managers we contacted for oral responses advised us that they had no additional comments.

Copies of this report are also being sent to the IRS managers who are affected by the report. Please contact me at (202) 622-6510 if you have questions or

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

## **Objective and Scope**

The overall objective of this review was to consolidate the results of eight Treasury Inspector General for Tax Administration (TIGTA) audits of the Internal Revenue Service's (IRS) implementation of the Government Performance and Results Act (GPRA)<sup>1</sup> during Fiscal Year (FY) 2000. We reviewed the TIGTA FY 2000 GPRA-related audit reports and met with IRS senior management in Washington, DC, to identify actions that they have taken to address the recommendations in the eight audit reports.

We also contacted the performance offices of the Departments of Labor, Transportation, and Education, and the United States Agency for International Development (USAID) in Washington, DC, to identify portions of their performance management processes that might be of benefit to the IRS.

This review was performed in the National Headquarters in Washington, DC, from September to November 2000. It was performed in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*. Major contributors to this report are listed in Appendix I. Appendix II contains the Report Distribution List.

## **Background**

The GPRA requires executive agencies to establish standards for measuring the effectiveness of their performance. The law requires executive agencies to prepare multi-year strategic plans, annual performance plans, and performance reports on prior year accomplishments.

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

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During FY 2000, the TIGTA conducted a series of reviews relating to the GPRA. The reviews included evaluations of the IRS' implementation of the GPRA, 6 of the 11 IRS customer satisfaction surveys, and the IRS' Annual Program Performance Report (APPR). The eight reports are listed in Appendix III.

### **Results**

The following are the three major issues the IRS needed to address based on the audits conducted during FY 2000:

- The IRS did not have a centralized process to ensure that all of the requirements of the GPRA were achieved and maintained.
- The individual operating units did not adequately administer the Customer Satisfaction Survey process.
- The process for completing the IRS' APPR did not provide management adequate time to assess performance.

Since receiving the eight FY 2000 audit reports, the IRS has taken several steps to address the concerns that were raised. The IRS made changes to its performance management process, which has helped to better define the responsibilities relating to its GPRA requirements. In particular, the IRS Commissioner designated the Deputy Commissioner and the Chief Financial Officer as responsible for the macro-level GPRA processes and the operating unit executives as responsible for implementing the GPRA in their respective areas. The TIGTA plans to continue reviewing the IRS' GPRA activities to determine whether GPRA requirements are being met and applied consistently.

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**The Internal Revenue Service Did Not Have a  
Centralized Process to Ensure That All of the  
Requirements of the GPRA Were Achieved and  
Maintained**

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In our initial review of the IRS' implementation of the GPRA, we found that the IRS did not have a centralized process for ensuring requirements of the GPRA were met. Specifically, responsibilities and authorities needed to be established for planning, directing, coordinating, and controlling the many activities required by the GPRA.

In addition, the IRS' interim strategic plan and the FY 2000 Annual Performance Plan were not in complete compliance with the GPRA, the Office of Management and Budget, and the Department of the Treasury guidelines. The IRS' interim strategic plan did not:

- Fully explain how the performance measures and strategic goals relate to each other.
- Address external factors that affect its mission and strategic goals.
- Describe program and system evaluations.

The IRS' FY 2000 Annual Performance Plan did not consistently describe the:

- Measures for each program activity.
- Goals for all measures.
- Means used to verify and validate performance data.

As an interim measure, the IRS Commissioner designated the Deputy Chief Financial Officer for Strategic Planning and Budgeting as the GPRA Executive, in conjunction with other staff offices and the operating units. This designation was made in response

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*The IRS Commissioner designated an interim GPRA Executive and subsequently provided more specific responsibilities to various National Headquarters and operating unit executives.*

to the recommendation in the TIGTA report<sup>2</sup> addressing the IRS' implementation of the requirements of the GPRA. In that report, the TIGTA recommended that the IRS designate an executive office that will be responsible for coordinating and ensuring each function develops the performance measures and systems to capture and validate data needed to fully comply with the GPRA. Without such executive oversight, there is a high risk that much of the work that has been done on the measures and plans could be lost during the IRS reorganization.

In an updated response to the recommendation, the Commissioner designated that the operating unit executive responsible for the operation and management of a program or function is also responsible for the implementation of the GPRA in his or her respective area. In addition, the Commissioner designated the Deputy Commissioner as responsible for the oversight and coordination of the APPR and performance measurement. The Chief Financial Officer is responsible for the general oversight and coordination of the strategic planning and budgeting process and the IRS' Strategic and Annual Performance Plans.

These designations give the responsibility for oversight to the Deputy Commissioner and Chief Financial Officer, while the responsibility for the actual implementation of the GPRA lies with each of the operating units. This adequately addresses our initial recommendation; however, the IRS will have to manage the risk of a decentralized process to ensure that the GPRA requirements are adequately and consistently met.

In addition, the IRS created the Strategic Planning, Budgeting, and Performance (SPB&P) Council. This Council is intended to provide the IRS the ability to

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<sup>2</sup> *The Internal Revenue Service Should Improve Its Process to Ensure That All Government Performance and Results Act Requirements Are Satisfied* (Reference Number 2000-10-016, dated December 1999).

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better manage its strategic planning process and help ensure compliance with the requirements of the GPRA. The SPB&P Council provides a forum for the operating units to raise cross-cutting issues or concerns related to planning, budgeting, and performance management. The purpose of the SPB&P Council is to support Senior Management Team (SMT) decision-making by addressing SPB&P problems that require resolution and to develop issues for SMT consideration. The Council will also continually assess the effectiveness of the SPB&P process and make improvements.

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### **The Individual Operating Units Did Not Adequately Administer the Customer Satisfaction Survey Process**

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During FY 2000, the TIGTA reviewed 6 of the 11 IRS customer satisfaction measures and identified instances where the survey population did not include all of the IRS' customers. In particular, IRS management had not established:

- Sufficient accountability over the Automated Collection System (ACS) Customer Satisfaction Survey. Few management controls were in place to ensure the survey results were reliable and could be verified and validated. In addition, some ACS customers were not included in the survey population, and the instructions for sample selections were not always clear or followed.
- A case selection process that would provide an accurate measurement of the Collection Division's customer satisfaction. Major categories of Collection taxpayer contacts were not included in the sample population, non-respondents were not surveyed, and the samples were taken incorrectly.



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- An effective process to ensure the Examination Division Survey was conducted appropriately to measure the level of satisfaction customers receive from interactions with all Examination Division program areas. The survey data were not representative of the universe of Examination cases.
- An adequate process to ensure the Walk-In Customer Satisfaction Survey appropriately measured the level of satisfaction that customers received from interactions with Walk-In offices. There were no controls over the survey to prevent tampering with the survey results and no controls to ensure all of the offices participated in the survey.
- Management controls to continuously monitor and improve the administration of the Toll-Free Customer Satisfaction Survey and the means to verify and validate the survey results to measure the level of satisfaction that all customers receive from interactions with Toll-Free Program employees. The sample selection method excluded taxpayers who called on weekends and in the evening. Also, the surveyors did not always follow the sample selection criteria.

*The IRS Commissioner established a Survey Administration Team to oversee the Customer Satisfaction Survey process.*

The IRS' creation of the Survey Administration Team has the potential to address some of the TIGTA concerns with the customer satisfaction surveys that were reported during FY 2000. The IRS decided that the Survey Administration Team would be responsible for setting standards, such as sampling procedures, response rates, questionnaire development, and management processes, and for the general coordination of the overall Customer Satisfaction Survey process.

The new operating divisions are now accountable for ensuring that the individual surveys meet their operational needs and are administered and handled properly. The IRS will need to manage the risk of the new, decentralized process and ensure that the customer

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satisfaction surveys are administered properly and consistently.

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### **The Process for Completing the Internal Revenue Service's Annual Program Performance Report Did Not Provide Management Adequate Time to Assess Performance**

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In reviewing the IRS' FY 1999 APPR, the TIGTA found that the process for developing the APPR needed to be improved. Improvements were needed to establish a continuing process to ensure both a timely and accurate APPR. The process did not provide adequate time for IRS management to (1) assemble data for the report, (2) analyze the data to ensure that it clearly assessed program goals, (3) verify and validate the data to ensure that it was reliable and credible, and (4) timely submit the data to the Department of the Treasury. Without a timely and accurate report, the IRS cannot meet the objectives of the GPRA.

The new Business Program Review System (BPRS) has been refined to improve the APPR submission process. The IRS uses its BPRS as a framework for measuring, reporting, and reviewing organizational performance. The SMT, comprised of the Commissioner, Deputy Commissioner, and heads of the IRS' Organizational Units, hold monthly BPRS meetings during which operating divisions and functional and support divisions are reviewed. The operating divisions are reviewed every 2 months; functional and support divisions are reviewed quarterly.

The IRS' BPRS is an evolving process. The IRS completed the first full cycle of initial BPRS reviews by November 30, 2000. Currently, the reviews cover the operating units' performance against their plans, progress with modernization, strategic hiring plans, and managerial controls.

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The IRS' BPRS should address the TIGTA's concerns with the timing of the IRS' prior process for developing its APPR. The management controls portion of the BPRS also addresses control problems identified in TIGTA and General Accounting Office reports. However, the BPRS process does not address the verification and validation of data.

The BPRS process could include, in the management controls section of the review, a discussion addressing how the operating units ensure their management controls are in place and working as intended. The IRS can also use existing management controls to help ensure that performance data are accurate.

*Both the DOE and USAID have developed a checklist for evaluating the validity of program performance data.*

While the new BPRS may improve the IRS' data, other agencies have implemented solutions that the IRS may want to consider. Both the Department of Education (DOE) and USAID have developed a checklist addressing the validity of their program performance data. At the DOE, the results of the checklists are summarized and signed by the Assistant Secretary. The DOE's checklist covers its standards for performance data.

### Conclusion

The IRS has taken steps to address the concerns the TIGTA reported during FY 2000 relating to the IRS' implementation of the GPRA. The IRS has designated the Deputy Commissioner and the Chief Financial Officer as responsible for macro-level GPRA processes and the operating unit executives as responsible for implementing the GPRA in their respective areas. The TIGTA plans to continue assessing the IRS' implementation of the GPRA during FY 2001 to determine whether GPRA requirements are being met and applied consistently.

**Major Contributors to This Report**

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**Appendix II**

**Report Distribution List**

Commissioner N:C  
Chief Financial Officer N:CFO  
Deputy Chief Financial Officer, Strategic Planning and Budgeting N:CFO:SPB  
Director, Organizational Performance Division N:CFO:O  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
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    Director, Organizational Performance Division N:CFO:O  
    Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O

**Listing of GPRA-Related Reports Issued During Fiscal Year 2000**

- *The Internal Revenue Service Should Improve Its Process to Ensure That All Government Performance and Results Act Requirements Are Satisfied* (Reference Number 2000-10-016, dated December 1999).
- *Letter Report: The Internal Revenue Service Should Improve Its Process to Ensure the Fiscal Year 1999 Performance Report Will Contain the Information Intended by the Congress* (Reference Number 2000-10-061, dated March 2000).
- *Automated Collection System Customer Satisfaction Survey Results Should Be Qualified if Used for the GPRA* (Reference Number 2000-10-078, dated May 2000).
- *GPRA: The Examination Division Should Ensure Proper Disclosure of the Sample Limitations Relating to Its Customer Satisfaction Measure* (Reference Number 2000-10-082, dated May 2000).
- *Walk-In Customer Satisfaction Survey Results Should Be Qualified if Used for the GPRA* (Reference Number 2000-10-079, dated May 2000).
- *GPRA: The Collection Division Should Ensure Proper Disclosure of the Sample Limitations Relating to Its Customer Satisfaction Measures* (Reference Number 2000-10-100, dated June 2000).
- *Appeals Customer Satisfaction Survey Results Should Be Qualified if Used for the Government Performance and Results Act* (Reference Number 2000-10-125, dated August 2000).
- *Toll-Free Customer Satisfaction Survey Results Should Be Qualified if Used for the Government Performance and Results Act* (Reference Number 2000-10-137, dated September 2000).